



Press Release
Ken Enterprises Private Limited
April 05, 2024

Rating Assigned and Reaffirmed

Product	Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	5.00	ACUITE BBB- Stable Assigned	-
Bank Loan Ratings	35.10	ACUITE BBB- Stable Reaffirmed	-
Bank Loan Ratings	1.00	-	ACUITE A3 Assigned
Bank Loan Ratings	29.90	-	ACUITE A3 Reaffirmed
Total Outstanding Quantum (Rs. Cr)	71.00	-	-

Rating Rationale

Acuite has reaffirmed its long-term rating of '**ACUITE BBB-**' (read as **ACUITE triple B minus**) and short-term rating of '**ACUITE A3**' (read as **ACUITE A three**) on the Rs 65.00 Cr. bank facilities of Ken Enterprises Private Limited (KEPL). The outlook is '**Stable**'. Acuite has also assigned its long-term rating of '**ACUITE BBB-**' (read as **ACUITE triple B Minus**) and short-term rating of '**ACUITE A3**' (read as **ACUITE A three**) on the Rs.6.00 Cr. bank facilities of Ken Enterprises Private Limited (KEPL). The outlook is '**Stable**'.

Rationale for Rating Reaffirmation

The rating reaffirmation considers KEPL's stable operating and financial performance marked by steady operating revenues and moderate financial risk profile. The company's operating income stood at Rs. 361.89 Cr. in FY2023 as against Rs. 353.45 Cr. in FY2022. However, the operating margins moderated to 3.70 percent in FY2023 as against 3.64 percent in FY2022. The moderation is on account of increased material cost during the year. Further, the financial risk profile stood moderate marked by moderate network, gearing and debt protection metrics. The gearing levels of the company stood at 1.40 times as on March 31, 2023 as against 1.32 times as on March 31, 2022. The rating further takes into account the long track record of operations and experience of the management in grey fabric manufacturing. The rating is however constrained on account of intensive nature of working capital operations, and susceptibility of its margins to fluctuations in raw material prices and presence in highly competitive nature of textile industry.

About the Company

Ken Enterprises Private Limited incorporated in 1998 is a Kolhapur, Maharashtra -based company, promoted by Mr. Nikunj Hariprasad Bagdiya, Mrs. Bina Hariprasad Bagdiya and Mr. Krishna Hariprasad Bagdiya. The company is engaged in manufacturing and export of grey fabrics. It is the second-generation textile manufacturing enterprise with 40 years of presence in Ichalkaranji. It is the first weaving mill from Western Maharashtra.

Unsupported Rating

Not Applicable

Analytical Approach

Acuité has considered the standalone business and financial risk profile of Ken Enterprises

Private Ltd(KEPL) to arrive at the rating.

Key Rating Drivers

Strengths

Experienced management with long track record of operations

KEPL, promoted by Mr. Nikunj Hariprasad Bagdiya, Mrs. Bina Hariprasad Bagdiya and Mr. Krishna Hariprasad Bagdiya, have over a decade of experience in the said line of business. The company is the second generation textile manufacturing enterprise with 40 years of presence in Ichalkaranji, Maharashtra. It is the first weaving mill from Western Maharashtra. The company has international presence in 21 countries for the export of grey fabric (export accounts for ~30 to 35 percent of total sales). The company exports to USA, Kenya, South Korea, Bangladesh, Thailand, Vietnam, Turkey, Mexico and UAE to name a few. The extensive experience of promoters coupled with long track record of operations has enabled the company forge healthy relationships with customers and suppliers, which in turn has helped in growth of the business.

Stable business risk profile albeit volatile nature of business

The operating revenue of the company stood stable at Rs 361.89 crore in FY2023 against Rs 353.45 crore in FY 2022. In10MFY2024, Company has reported revenue of Rs. 318.02 crore and expects to close the year in the range of Rs. 360 crore. The operating profit margin stood at similar levels at 3.70 per cent in FY2023 as compared to 3.64 per cent in the previous year. The PAT margins have marginally increased to 1.01 per cent as on FY2023 as against 0.65 per cent as on FY2022. The RoCE levels for the company stood lower at 15.05 per cent in 2023 as against 16.37 per cent in FY2022. The company's profitability is inherently exposed to the fluctuating raw material prices of yarn (cotton). Going forward, the improvement in profitability margins will remain a key rating sensitivity. Further, the company maintains a running order book position.

Acuité believes that the company will continue to sustain its order book position and maintain its business risk profile over the medium term.

Moderate financial risk profile

KEPL has moderate financial risk profile marked by moderate net worth, gearing and debt protection metrics. KEPL's net worth stood at Rs.35.24 crore as on March 31,2023 against Rs. 31.60 crore as on 31st March 2022. The company's gearing stood at 1.40 times as on March 31,2023 as against 1.32 times as on March 31, 2022. The company's total debt as on March 31,2023 stood at Rs. 49.45 crore as compared to Rs. 41.76 crore as on March 31, 2022; comprising of long-term debt of Rs. 8.78 crore, short-term debt of Rs.36.02 crore and unsecured loans from directors and promoters of Rs.6 crore. TOL/TNW stood at 4.18 times as on March 31, 2023. Interest coverage ratio of the company stood at 1.88 times in FY23 against 1.62 times in FY2022. DSCR stood at 1.72 times in FY2023 against 1.46 times in FY2022. Acuité believes that going forward the financial risk profile of the company will improve backed by steady accruals and no major debt funded capex plans

Weaknesses

Working capital intensive operations

KEPL has working capital intensive operations with average gross current asset (GCA) days standing over 170 days during FY21 to FY23. GCA days increased to 171 days in FY2023 against 148 days in FY2022. The increase in GCA days is primarily led by increased inventory days. Inventory days stood at 92 days in FY2023 against 76 days in FY2022. The company now is moving towards procuring raw material directly from spinning mills instead of traders and hence is required to procure and stock in bulk. The debtor days stood at 75 days in FY2023 against 65 days in FY2022. The average credit period allowed by the company to its customers upto 90 days. The creditor days stood at 103 days in FY2023 against 90 days in FY2022.

Acuite believes that the working capital operations of the group will remain at similar levels over the medium term given the nature of the industry.

Rating Sensitivities

- Asset light model approach enables the company to enhance its revenue without any capex or debt funded project
- Any deterioration in working capital management leading to deterioration in financial risk profile and liquidity position
- Growth in revenues while improving its profitability levels.

Liquidity Position

Adequate

Liquidity is adequately backed by KEPL's net cash accruals, which stood at Rs. 5.12 Cr. as on March 31, 2023, against no debt repayment over the same period. Going ahead company is expected to generate cash accruals in the range of Rs.9.68-11.90 Cr. through FY2023-25 against repayment obligation of Rs.4.65-4.754 Cr. in during the same period. The cash and bank balances of the firm stood at Rs. 0.49 Cr. as on March 31, 2023. The current ratio stood comfortable at 1.26 times as on March 31, 2023. The working capital operations of the company are intensively marked by its gross current asset (GCA) days of 171 days for FY2023 as against 148 days for FY2022 on account of high receivables cycle during the same period. Acuité believes that going forward the company will accelerate to maintain adequate liquidity position due to increasing accruals.

Outlook: Stable

Acuité believes that Ken enterprises Pvt Ltd will continue to benefit over the medium term due to its established market position and established relations with its customers. The outlook may be revised to "Positive", if the company demonstrates higher than expected growth in revenues while improving its profitability levels. Conversely, the outlook may be revised to "Negative", if the company generates lower than expected growth in revenues and records decline in the operating profitability and or further elongation in working capital operations thereby affecting its liquidity position and financial risk profile.

Other Factors affecting Rating

None

Key Financials

Particulars	Unit	FY 23 (Actual)	FY 22 (Actual)
Operating Income	Rs. Cr.	361.89	353.45
PAT	Rs. Cr.	3.64	2.30
PAT Margin	(%)	1.01	0.65
Total Debt/Tangible Net Worth	Times	1.40	1.32
PBDIT/Interest	Times	1.88	1.62

Status of non-cooperation with previous CRA (if applicable)

Not Applicable

Any other information

None

Applicable Criteria

- Default Recognition :- <https://www.acuite.in/view-rating-criteria-52.htm>
- Entities In Manufacturing Sector:- <https://www.acuite.in/view-rating-criteria-59.htm>
- Trading Entitie: <https://www.acuite.in/view-rating-criteria-61.htm>
- Application Of Financial Ratios And Adjustments: <https://www.acuite.in/view-rating-criteria-53.htm>

Note on complexity levels of the rated instrument

In order to inform the investors about complexity of instruments, Acuite has categorized such instruments in three levels: Simple, Complex and Highly Complex. Acuite's categorisation of the instruments across the three categories is based on factors like variability of the returns to the investors, uncertainty in cash flow patterns, number of counterparties and general understanding of the instrument by the market. It has to be understood that complexity is different from credit risk and even an instrument categorized as 'Simple' can carry high levels of risk. For more details, please refer Rating Criteria "Complexity Level Of Financial Instruments" on www.acuite.in.

Rating History

Date	Name of Instruments/Facilities	Term	Amount (Rs. Cr)	Rating/Outlook
31 Mar 2023	Cash Credit	Long Term	35.00	ACUITE BBB- Stable (Assigned)
	Proposed Long Term Bank Facility	Long Term	2.50	ACUITE BBB- Stable (Assigned)
	Letter of Credit	Short Term	27.50	ACUITE A3 (Assigned)
09 Jul 2021	Proposed Short Term Bank Facility	Short Term	2.50	ACUITE A3 (Reaffirmed & Withdrawn)
	Letter of Credit	Short Term	22.50	ACUITE A3 (Reaffirmed & Withdrawn)
	Proposed Long Term Bank Facility	Long Term	2.50	ACUITE BBB- (Reaffirmed & Withdrawn)
	Cash Credit	Long Term	31.50	ACUITE BBB- (Reaffirmed & Withdrawn)

Annexure - Details of instruments rated

Lender's Name	ISIN	Facilities	Date Of Issuance	Coupon Rate	Maturity Date	Complexity Level	Quantum (Rs. Cr.)	Rating
Canara Bank	Not avl. / Not appl.	Cash Credit	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	35.00	ACUITE BBB- Stable Reaffirmed
Canara Bank	Not avl. / Not appl.	Cash Credit	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	5.00	ACUITE BBB- Stable Assigned
Canara Bank	Not avl. / Not appl.	Letter of Credit	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	27.50	ACUITE A3 Reaffirmed
Canara Bank	Not avl. / Not appl.	Letter of Credit	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	2.40	ACUITE A3 Reaffirmed
Canara Bank	Not avl. / Not appl.	Letter of Credit	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	1.00	ACUITE A3 Assigned
Not Applicable	Not avl. / Not appl.	Proposed Long Term Bank Facility	Not avl. / Not appl.	Not avl. / Not appl.	Not avl. / Not appl.	Simple	0.10	ACUITE BBB- Stable Reaffirmed

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About Acuité Ratings & Research

Acuité is a full-service Credit Rating Agency registered with the Securities & Exchange Board of India (SEBI). The company received RBI Accreditation as an External Credit Assessment Institution (ECAI) for Bank Loan Ratings under BASEL-II norms in the year 2012. Acuité has assigned ratings to various securities, debt instruments and bank facilities of entities spread across the country and across a wide cross section of industries. It has its Registered and Head Office in Kanjurmarg, Mumbai.

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